

FISCAL NOTE

Bill #: HB 586

Title: Revise police retirement DROP

Primary Sponsor: W. Grinde

Status: As Introduced

Sponsor signature	Date	David Ewer, Budget Director	Date
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Fiscal Summary

	<u>FY 2006 Difference</u>	<u>FY 2007 Difference</u>
Expenditures:		
General Fund	\$0	\$0
Revenue:		
Other (MPORS Pension Trust Fund)	(\$173,000)	(\$180,353)
Net Impact on General Fund Balance:	\$0	\$0

- | | |
|---|---|
| <input type="checkbox"/> Significant Local Gov. Impact | <input checked="" type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input checked="" type="checkbox"/> Significant Long-Term Impacts |
| <input type="checkbox"/> Dedicated Revenue Form Attached | <input type="checkbox"/> Needs to be included in HB 2 |

Fiscal Analysis

ASSUMPTIONS:

1. This is the only provision being considered. If other provisions are enacted, the cost associated with this provision may be different.
2. This fiscal note is based on the findings in the 2004 actuarial valuation and the overall funded position of the Municipal Police Officers' Retirement System (MPORS) as of June 30, 2004.
3. All current Deferred Retirement Option Plan (DROP) participants and all members who elect to enter the DROP in the future will be eligible for the amended provisions.
4. All employer and state contributions continue while members participate in the DROP.
5. It is assumed the current proportion of payroll for DROP participants compared to all other active members remains constant in the future.
6. As a result of this bill, the average rate of member contributions (expressed as a percentage of total payroll) will decline from 9.00 percent to 8.35 percent. This decline reflects the fact that revenue from member contributions will decline.
7. On average, revenue is expected to decline by 0.65 percent of total salaries of DROP and non-DROP members.
8. As a result of this decline in revenue, the amortization period to pay the system's unfunded liability increases one year, from 24.8 years to 25.8 years.

Fiscal Note Request HB 586, As Introduced

(continued)

FISCAL IMPACT:

	<u>FY 2006 Difference</u>	<u>FY 2007 Difference</u>
<u>Revenues:</u>		
Other (MPORS Pension Trust Fund)	(\$173,000)	(\$180,353)
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>		
Other (MPORS Pension Trust Fund)	(\$173,000)	(\$180,353)

LONG-RANGE IMPACTS:

There is a possibility that this provision will provide an incentive for members to enter the DROP and retire earlier. If that happens, it will impact the actuarial assumptions and increase the cost of the Municipal Police Officers' Retirement System.

TECHNICAL NOTES:

1. The annual revenue required to support this provision is \$173,000. This revenue will come from a reduction in the balance of the MPORS pension trust fund.
2. Based on the most recent funded status of the Municipal Police Officers' Retirement System, and the expectation of emerging investment losses in the future, the Board's actuary recommends that all new legislative proposals include a provision for financing the entire cost of the proposal.